

**STATE OF MONTANA  
DEPARTMENT OF COMMERCE  
BUSINESS RESOURCES DIVISION**

**BIG SKY ECONOMIC DEVELOPMENT FUND  
2006 APPLICATION GUIDELINES**

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## INTRODUCTION

House Bill 249 (HB249) was passed by the 2005 Montana Legislature and was one of the major components of Governor Brian Schweitzer's 2005 legislative agenda. Governor Brian Schweitzer's intent is to develop Montana's economy and provide a brighter economic future for all Montanans. Representative Monica Lindeen, House District 43, was the primary sponsor of HB249, which provided for the creation of the Big Sky Economic Development Fund.

These application guidelines explain how local governments, Certified Regional Development Corporations and other eligible economic development organizations can apply for Big Sky Economic Development Fund financial assistance. Potential applicants are encouraged to contact Big Sky Economic Development Fund Staff to discuss program requirements and project eligibility.

*The Montana Department of Commerce does not discriminate on the basis of disability in admission to, access to, or operations of its program, services, or activities. Individuals, who need aids or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known. Please provide as much advance notice as possible for requests, please contact:*

Big Sky Economic Development Fund  
Montana Department of Commerce  
301 South Park Avenue  
PO Box 200505  
Helena, MT 59620-0505  
Telephone: (406) 841-2758  
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### **Big Sky Economic Development Fund Staff**

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Local governments, Certified Regional Development Corporations and other economic development organizations are encouraged to contact a Department of Commerce Regional Development Officer and the Governor's Office of Economic Opportunity when developing an economic development project. The Big Sky Economic Development Fund is a very specialized economic development tool with limited resources and the development of most economic development projects require resources from various state and federal programs. The Regional Development Officer serving your area and the Governor's Office of Economic Opportunity can aide you in identifying and accessing these various state and federal programs.

**Department of Commerce Regional Development Officers**

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# BIG SKY ECONOMIC DEVELOPMENT FUND

## **Statement of Purpose**

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As stated in HB249, the legislative purpose of the Big Sky Economic Development Fund is to:

- Create good-paying jobs for Montana residents,
- Promote long-term, stable economic growth in Montana,
- Encourage local economic development organizations,
- Create partnerships between the state, local governments, and local economic development organizations that are interested in pursuing these same economic development goals,
- Retain or expand existing businesses, and
- Provide a better life for future generations through greater economic growth and prosperity in Montana.

## **Program Funding**

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On July 1, 2005, \$20 million was transferred from the coal severance tax permanent fund to the Big Sky Economic Development Fund (Trust Fund). In addition a portion of the total coal severance taxes collected annually are deposited into the Trust Fund. Earnings (interest only, not principal) from the Trust Fund are available for financial assistance to local governments and economic development organizations through application to the Department of Commerce (Department).

The Trust Fund program is designed to provide financial assistance in the following two categories:

**Category I:** 75% of Trust Fund earnings shall be awarded to local governments in the form of grants and loans for economic development projects.

**Category II:** 25% of Trust Fund earnings shall be awarded to CRDCs and other eligible economic development organizations in the form of grants for economic development planning and capacity building.

The following table summarizes the estimated distribution of Trust Fund earnings for State Fiscal Year (SFY) 2006:

Total Projected Trust Fund Earnings SFY 2006:	\$1,338,000
Less Trust Fund Administration:	\$ 95,554
Amount Available to Local Governments	\$ 931,835
Amount Available to Eligible Economic Development Organizations	\$ 310,611

Certain funding limitations are placed on Trust Fund awards to insure maximum effective use. The funding limitations that apply include:

**Category I:**

1. Total program financial assistance to a local government for an economic development project may not exceed \$5,000 for each new eligible job to be created.
  - a. "Eligible job" means a new full-time job that provides wages that meets or exceeds the current average weekly wage of the county in which the employee is to be principally employed.
  - b. "Full-time job" means a job that provides at a minimum, an average of thirty-five (35) working hours per week on an annual basis.

*Please contact the department for more information concerning current average weekly wage thresholds and job eligibility.*

2. Project funding ceilings will be determined by the availability of funding and the quality of the project proposed.
3. Projects should be limited to no more than two (2) years unless otherwise approved by the Department.
4. The Trust Fund is a very specialized economic development tool with limited resources. The Fund should not be considered as a sole source of funding for projects when other state or federal programs could be utilized.

**Category II:** It is preferred that total grant awards to CRDCs and other eligible economic development organizations not exceed \$15,000 per application. Preferably applicants will request assistance for an amount greater than \$5,000 per application.

*NOTE: The Department may make awards in amounts above or below the stated limits, if it is determined by the Director of the Department that the activities that the CRDC or other eligible economic development organization is proposing could result in substantial impact on the economy of a community, region and/or the state.*

## **Application Deadlines**

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The Department will establish and announce funding availability for both categories at the beginning of each calendar year. Applications will be accepted throughout the year on an open cycle-basis, until all projected funds are committed to approved projects and will be reviewed based upon the criteria provided in these guidelines.

*The Department is statutorily required to adopt administrative rules to aide in the management of Trust Fund earnings. It will take several months to establish administrative rules and for the Trust Fund to generate substantial earnings to allow for program awards. Therefore, funding for both categories will be available after January 1, 2006.*

# **CATEGORY I: ECONOMIC DEVELOPMENT PROJECTS**

## **Section I – Eligibility**

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### **A. Eligible Applicants**

Trust Fund - Category I eligible applicants include:

1. Incorporated cities or towns,
2. Counties,
3. Consolidated governments,
4. Tribal governments (includes any state or federally recognized Indian tribe within the State of Montana), and
5. Public districts or local public entities with the authority to spend or receive public funds.

Special purpose agencies such as CRDCs and other eligible economic development organizations are not eligible to apply directly to the Department for Category I financial assistance; however, local governments are statutorily required to work with an economic development organization on a proposal, and economic development organizations may be involved in implementing and administering a project by sub-recipient agreement, if the eligible applicant agrees to such an arrangement.

As determined by the Department, local governments and sub-recipients must have the management capacity to undertake and satisfactorily complete the proposed project and assure proper management of Trust Fund awards.

*The Department may not make a loan nor award a grant to any individual, organization, or governmental unit that is currently in default of the conditions of any loan or grant contract previously executed by the Department.*

### **B. Eligible Businesses**

Trust Fund earnings will be awarded to local governments for use in efforts to develop economic development projects, through cooperative endeavor with a business, which provides good paying jobs to Montana residents. Eligible businesses shall meet one or more of the following criteria:

1. A basic sector company defined as a company that:
  - a. Generates more than 50% of their total dollar sales from outside Montana,
  - b. More than 50% of their product or services enters into the production of exported products outside of Montana,
  - c. Defined as a "value-adding business" by the Montana Board of Investments,



2. Other business entities that:
  - a. Are engaged in business activities that will provide a significant positive economic impact to the community, region and/or the state beyond the job creation involved,
  - b. Do not compete locally, regionally and/or within the state with existing businesses that would result in a negative impact on competitors in the community, region and/or the state, and
  - c. Provide a service or function that is essential to the locality, region and/or the State of Montana.

NOTE: Eligible businesses must also meet all of the program requirements outlined in these guidelines.

*Other for-profit business entities, which do not meet the above stated criteria, may be an eligible recipient if it is determined by the Director of the Department that the activities that the business is primarily engaged in would have a substantial impact on the economy of a community, region and/or the state.*

### **C. Eligible Uses of Funds**

A Trust Fund grant or loan may be used by the local government to pay the following costs incurred in connection with an economic development project:

1. Public land acquisition;
2. Public demolition and removal of structures;
3. The acquisition, construction, and improvement of public infrastructure that includes streets, roads, curbs, gutters, sidewalks, pedestrian malls, alleys, parking lots and offstreet parking facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, waterlines, waterways, water treatment facilities, natural gas lines, electrical lines, telecommunications lines, rail lines, rail spurs, bridges, and publicly owned buildings;

A Trust Fund grant or loan to a local government may be used by the local government to provide a grant or loan to an eligible business associated with an economic development project that includes, but is not limited to:

1. Workforce training grants for the training of new employees;
2. Loans for fixed assets (sites and buildings), machinery and equipment and working capital;
3. A reduction in the interest rate of a commercial loan;
4. Relocation costs incurred in connection with moving a business to Montana; and
5. Rental assistance or lease-buy downs.

*Local governments may utilize a portion of a Trust Fund grant or loan award for project administration with Department approval. Total project administrative costs reimbursed with Trust Fund dollars shall not exceed five (5) percent of the total Trust Fund award per project. CRDCs or other eligible economic development organizations associated with the project are also encouraged to make a separate application for Trust Fund Category II financial assistance for project feasibility studies and other eligible activities associated with the project.*

## **D. Assistance Limitations**

Ineligible uses of funds include, but are not limited to:

1. The business receiving Trust Fund financial assistance cannot transfer or relocate jobs from one part of the state to another part of the state.
2. Typically businesses such as hotels, motels and retail operations will generally be considered ineligible for Trust Fund financial assistance, except under mitigating circumstances, because of the high likelihood of competition with existing local and regional businesses. Businesses such as hotels, motels and retail operations may be eligible where certain mitigating circumstances exist and support by other competing local businesses can be documented; i.e., a grocery store in a small town in a sparsely populated area where there is no other competition.
3. The Department reserves the right to establish criteria for the recapture of program funds upon any event that violates state law, the public purpose of the program, or any of the grant and/or loan conditions. All recaptured funds must be returned to the Department, unless otherwise specified by the Department.

*NOTE: Please contact the Department for questions regarding the eligibility of a proposed business activity before submitting an application to the Department.*

## **Section II – Program Requirements**

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### **A. Location Requirement**

1. The business receiving Trust Fund financial assistance must locate or expand at a Montana site.

### **B. Investment Requirement**

1. Total new investment by the local government and/or the business at the Montana site must be equal to or greater than \$1 for every \$1 of Trust Fund assistance received within the contract period.
2. A new investment means any investment made at the Montana site by the local government and/or the business associated with the project. An investment made before approval of Trust Fund financial assistance without the written consent of the Department to incur project costs may not be eligible to satisfy this requirement.

3. The following will not be considered as match:
  - a. Existing assets (Note: Existing assets that are physically relocated to Montana may be considered);
  - b. In-kind services;
  - c. Costs incurred prior to the application date;
  - d. Refinancing of existing debt;
  - e. Projected operating cash flow;
  - f. Existing equity; and
  - g. Existing bank line of credit amounts (Note: Increases in lines of credit contingent upon the receipt of a Trust Fund award may be considered.)

### **Section III – Penalties**

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Local governments and businesses receiving Trust Fund financial assistance are liable for the full amount of the award that is advanced by the Department, if the business:

1. Fails to create or maintain the number of new jobs specified in an executed commitment letter; or
2. Fails to inject the required amount of private investment into the project.

*The Department at its sole discretion may waive this penalty if failure is due to circumstances outside the control of the business.*

The penalty may be payable in one lump sum or in installments, with or without interest, as the Department deems appropriate.

### **Section IV – General Application Procedures**

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Potential applicants are encouraged to contact the Department to discuss their proposed project with Trust Fund Staff or a Department Regional Development Officer (RDO). Trust Fund Staff can direct you to the RDO for your area. An RDO must be consulted during the preparation of a Trust Fund application and Trust Fund Staff and RDO's will work closely with applicants and sub-recipients to negotiate any changes and resolve issues identified during the preparation of their application.

Three (3) copies of each application are required for submission:

1. Two copies (one original and one copy) of the application must be submitted to the Business Resources Division of the Montana Department of Commerce (see address on page 3);
2. One additional copy must be sent to the Regional Development Officer responsible for the area that is submitting an application.

Applicants must submit all application materials using the following format, which includes the following information:

## **A. Community Information**

1. Name, address and contact information for the applicant.
2. Name, address and contact information for the sub-recipient and/or beneficiary.
3. A summary statement that outlines the importance of the project to the community and why support from the program is being sought.

## **B. Project Information**

Please provide a detailed narrative description of the proposed project for which you are seeking Trust Fund assistance. Attach as many pages as necessary. The narrative description shall include:

1. A description of the location of the project site (attach any supporting maps).
2. A list of each of the entities, both public and private, that will be involved in carrying out the project and describe their specific roles (project coordinator, fund administrator, property holder, borrower, funding provider or of in-kind services, utility provider, job creator, training provider, etc.).
3. A description of each activity that will need to be undertaken in order to implement the project (use of funds) and specify which of the entities involved will be responsible for implementing that activity, and whether or not it will be paid with a Trust Fund award.
4. A matching funds summary that outlines the source, use, terms and their status (on hand, awarded, committed, applied for, etc.) of all funds to be utilized in satisfy the program matching funds requirement.
  - a. Specify the total dollar amount of the new investment by the local government and the new private investment by the business to be made at the project site.
    - i. Total new investment by the local government and/or the business at the Montana site must be equal to or greater than \$1 for every \$1 of Trust Fund assistance received, within the contract period.
    - ii. Maximum total Trust Fund financial assistance may not exceed \$5,000 for each qualifying new job to be created.
    - iii. The applicant must verify all project costs and document how they were determined and by whom (land appraisal, engineer or architect prepared estimates, equipment lists and cost schedules, etc.). The applicant must determine the reasonableness and completeness of the cost estimates (such as the inclusion of Davis-Bacon prevailing wage rates, if applicable).
  - b. Applications must include a written commitment from the local government and the business to make the investments as described above.
5. A job creation summary that outlines:
  - a. The business's current employment levels at the project site and statewide,

- b. The number and types of new fulltime eligible jobs to be created at the project site and their projected gross weekly wages.
    - i. Eligible job means a new full-time job that provides wages that meets or exceeds the current average weekly wage of the county in which the employees are to be principally employed.
    - ii. A full-time job means a job that provides at a minimum, an average of thirty-five (35) working hours per week on an annual basis.
    - iii. Only new eligible jobs, which the assisted business directly creates in Montana, within the contract period, may be counted towards the job creation threshold.
  - c. A breakdown of all the jobs to be created, including the number and type of jobs that are full-time, part-time, skilled, semiskilled, or unskilled positions and their projected gross weekly wages.
    - i. For any positions involving less than full-time employment, include an estimate of the number of hours to be worked each week and the number of months to be worked each year for each position must be included.
  - d. A description of any employee benefits offered by the business (e.g., child care benefits, health and dental benefits, 401(k) plans, defined benefit plans, etc.)
  - e. A timetable for creating all of the jobs and the total number of persons to be hired.
  - f. A hiring plan that includes the following:
    - ii. An assurance that the business will comply with the equal opportunity and nondiscrimination laws.
    - iii. Procedures for outreach, recruitment, screening, selection, and placement of workers, especially local area job applicants.
    - iv. Written commitments from any agencies or organizations participating in the implementation of the hiring plan (e.g., Job Service, HRDC, etc.).
  - g. Applications must include a written commitment from the business to create the jobs as described above.
6. The impact on the state, regional and community economy. Eligible projects must demonstrate a significant positive economic impact to the community, region and/or the state beyond the job creation involved.
7. Identify if the business associated with the project is competing with local or regional existing businesses and any resulting negative impacts of the project on the local, regional and/or state economy.
8. Identify any services or functions that the business associated with the projects provides that are essential to the locality, region and/or the state.
9. Provide a clear timeline for implementation of the project and achieving the desired result(s) (i.e. job creation, private investment, etc.)
10. Reference all supporting documentation, including maps.

## C. Business Information

The following documentation is required from each business receiving Trust Fund financial assistance and shall be provided on the business's letterhead.

1. The legal name, address and contact information of the business.
2. The company's Federal Employer Identification Number (FEIN).
3. A description of the type of business (what the business does) and its Standard Industrial Classification (S.I.C.) or North American Industrial Classification System (NAICS) code.
4. A statement and supporting documentation concerning the percentage of the businesses total dollar sales generated from outside of Montana and the percentage of the businesses product or services that enters into the production of exported products outside of Montana.

A current business plan must be submitted by the business receiving the financial assistance, as an attachment, which must contain sufficient information for the Department to obtain an adequate understanding of the business to be assisted, including the products or services offered, estimated market potential, management experience of principals, current financial position, and details of the proposed venture. The application should discuss the source, use, and terms of all funds to be included in the project.

*All business plan information and financial exhibits will be considered confidential, for evaluation purposes only, and will not, except as required by law, be provided to any third person, firm, corporation, or public entity not directly involved in the review without the express written consent of the business.*

NOTE: The Department may accept a copy of a current loan application to entities such as the Montana Board of Investments, the Rural Development Business and Industry Guarantee program, or the Small Business Administration to satisfy the conditions in this section.

The business plan must include the following elements and must provide sufficient detail for adequate analysis:

### Business Description

Include a description of the company or enterprise and an explanation of the products or services offered.

### Management

Provide the names, titles, and resumes of each principal to be responsible for the management of the business.

### Market

Discuss the present or proposed market area and share, with future projections, and provide an explanation of how the information was developed (for example, market surveys). Document any identified potential markets (for example, contracts, letters, or other evidence of interest in the product(s) by potential buyers or distributors), especially if sales projections show annual increases exceeding 25%.

### Sources and Uses of All Funding

This section of the application should discuss the source, use, and terms of all funds to be included in the project. A description of all aspects of the proposed assistance (i.e., loan terms, security, etc.), and the rationale for each must be included with the application. A narrative explanation/justification for the administrative portion of the budget must be attached.

### Financial Exhibits

The financial information submitted must demonstrate that the business to be assisted is or will be an ongoing viable company that can achieve and maintain the amount of employment projected.

The business must be able to show that projected cash flow will be sufficient to cover projected debt service and that a positive net worth can be attained. The projections must include a narrative explanation of how the figures and assumptions were derived with special emphasis on any changes in major assumptions from existing conditions (i.e., changes in cost of goods sold and general administrative expenses as a percentage of sales, or if sales increases exceed 25% annually). Special care should be taken to include increased labor costs related to achieving the hiring goals contained in the hiring and training plan.

*Financial information is required for all projects, including projects that are for public facilities or employee training.*

The business plan must include the following financial exhibits:

### Financial Statements

For an existing business, provide financial statements for the 3 most recent years of operation to include the following:

- Balance Sheets
- Profit and Loss Statements
- Cash Flow Statements

Current financial statements compiled or reviewed by an independent certified public accountant, with full disclosure notes, are required for businesses that have been in operation for more than one complete business fiscal year. In addition to the CPA-prepared year-end financial statements, internally prepared interim financial statements will also be accepted. A responsible officer of the business must sign all financial information. Financial statements must also include a current Aging of Accounts Receivable and Payable. There should not be significant gaps (not more than 90 days) between the historical statements and the projected statements. The projections should use the same fiscal year periods as the historical financial statements. Applications that contain appropriate, updated, accurate financial information can be processed much more quickly than incomplete applications that require Department requests for additional information.

### Projections

Provide the following projections for three years (two years in some cases):

#### Pro-forma Balance sheet

- Balance Sheets
- Profit and Loss Statements
- Cash Flow Statements

Earnings projections must include a projected monthly cash flow analysis for at least one year and until the break-even point is projected to be reached by the business. For a business that experiences regular or occasional cyclical variations in cash flow, provide a narrative explanation of the reason(s) for the occurrence of the cycles. Also, explain the effect, if any, on the business's ability to meet its debt obligations identified in the existing and projected debt schedules.

#### Debt Schedule

Provide descriptions of all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements. Financial statements should include current maturities of long-term debt and adjusted principal balances. All debt sources must be identified independently and not combined into one long-term debt number on the balance sheet. Principal and interest payments for at least three years should be included for all sources.

#### Working Capital Needs

Provide information on working capital needs and verify through cash flow projections, explaining changes in inventory and receivables.

#### Requirements for Business Owners with a 20% or Greater Ownership

Personal Financial Statements and tax returns are generally required for all owners with 20% or more ownership in the business to be assisted. The Department also requires personal or corporate income tax returns for all affiliated businesses. Personal guarantees may be required of owners with a 20% or more ownership at the discretion of the loan review committee.

#### Personal Credit Check Release

The principal owners of the business, as defined above, must provide a release allowing for a personal credit history check by the Department as part of the application review.

Applicants should include any other information that may be helpful in documenting the economic viability of the project.

#### Private Sector Commitments

Applicants must provide firm commitment letters from any private sector lenders or investors involved in the project. Such commitments should be binding, contingent only upon receipt of Trust Fund financial assistance. All terms and conditions that apply to each funding source must be submitted as part of the application.



Applications that include a loan guarantee from the Small Business Administration must include the letter of authorization from the SBA that contains the terms and conditions that apply to the loan. Terms and conditions for proposed debentures must be included. Letters of commitment from investors, owners and/or others providing assistance must be submitted with the application and must:

- Be on a letterhead of the firm and signed by an official of the firm authorized to commit the organization;
- Provide a clear statement of the firm's concept of the project (i.e., location, scope and cost);
- Specify the nature of the commitment (e.g., the amount of private commitment, amount of borrower's commitment, type and size of the project, number of jobs to be created, and commitment to hire low and moderate-income individuals);
- State a willingness of the firm to sign a legally binding commitment upon grant award and that the firm has reviewed the grant application and has approved its content. Letters of commitment from private financing institutions must specify the amount and type (for example, interim construction financing) of the loan being provided for the specific activity to be undertaken. The commitment should be binding, contingent only upon receipt of Trust Fund financial assistance.

*The Department reserves the right to request additional information or accept reasonable variations from the information requirements listed on a case-by-case basis if necessary to make a funding decision.*

## **D. Certifications for Application**

Each local government applying for Trust Fund financial assistance and the business to be assisted must agree to comply with all of the State requirements set out in these guidelines, in implementing their proposed Trust Fund project, if selected for funding. Businesses should be made aware of the regulations that will apply to them at the beginning of negotiations. A copy of a "Certifications for Application", signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the full application for Trust Fund assistance. Local governments and businesses should carefully review these requirements and consider their potential impact when designing their Trust Fund project. Please contact the Department for more information.

NOTE: The applicant, sub-recipient and the business by an official who is duly authorized to sign the application and make a certification on its behalf must sign all applications.

## **E. Other Information**

Please provide any other background information pertinent to the project that might assist the Department in making an informed decision. Communities are obliged to disclose any information that could reflect negatively on the project.

NOTE: The Department reserves the right to request additional information if needed during the review period, especially if the project contains unique items that may require different information than requested above.

## **Section V – Review of Applications**

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To determine the merit of each application and the proposed uses of funds, a Department review committee (Committee) will review all applications from eligible applicants and will make recommendations to the Director of the Department, who will make the final decision concerning funding awards.

Applications that are received and accepted as complete, and have received staff analysis and recommendations, will be submitted to the Committee at the earliest available time after the analysis is completed. Applications will be reviewed by the Committee, and will be funded, if approved by the Committee and the Director.

The Committee will make a recommendation to the Director, who will make the final decision on project awards. A letter of tentative award will be sent to the applicant stating the funding amount and any conditions that apply. The date of the funding decision by the Committee will be the date entered on the Trust Fund contract as the date of funding award. Projects must be completed in accordance with the project implementation schedule. If the Director revises the recommendation by the Committee, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternative decision was made.

Applicants should also be aware that in most cases, it may take two (2) months or more before any funds will actually be disbursed to the business after the decision to award a grant has been made. This delay occurs because several activities must take place before funds can be released. For example, the contract between the grantee and Department must be prepared and all the details for assuring proper management of the project and expenditure of program funds must be finalized.

The following criteria may be used to determine the merit of each application:

1. Economic impact of the project, which may include the following factors:
  - a. Number of direct new jobs that will be created by the project,
  - a. The wages of those jobs,
  - b. The total payroll for the project,
  - c. Number of induced, short-term, project-related jobs expected to be generated by the project as well as the number of long-term permanent jobs expected to be created indirectly in the economy as a result of the project,
  - d. Economic circumstances of the local community, county and region, including the extent to which the project will serve to mitigate unemployment, and
2. Creation of quality jobs, which may include the following factors:
  - a. Wage level and status of the jobs to be created,
  - b. Quality and value of benefits offered by the business (e.g., child care benefits, health and dental benefits, 401(k) plans, defined benefit plans, etc.),
  - c. The extent of training programs offered by the business, and
  - d. The sustainability of the jobs in the future.

3. The quality of the project, which may include the following factors:
  - a. Nature of the industrial classification of the project and of the business undertaking it,
  - b. Long-term prospects for growth at the project site or sites,
  - c. Long-term prospects for growth of the business within Montana,
  - d. Financial stability of the business associated with the project,
  - e. The total new private investment at the Montana project site of the business associated with the project,
  - f. The total financial investment in the project by the local government,
  - g. Project readiness,
  - h. Project feasibility, and the
  - i. Reasonableness of cost estimates

Special consideration may be given to businesses that:

1. Locates or expands in rural areas and/or areas that have experienced sudden and severe economic disruptions;
2. Creates a relatively large number of eligible jobs;
3. Has agreed to negotiate special hiring arrangements for disadvantaged and/or lower income persons in connection with a project;
4. Brings an exceptional new technology to the state; and
5. Are recognized as a national or international leader in its industry.

*The above stated criteria are designed to assist the Department in making its decision and only constitute minimum standards. Additional factors may be considered depending on the nature of particular projects and their relative merit compared to competing proposals, and depending on the availability of funding at the time of application.*

## **Section VI – General Procedures for Accessing Funds**

### **A. Commitment Letter**

1. The Department, upon approval of the funding request by the Director, will mail a commitment letter to the applicant notifying them of the Trust Fund commitment and the terms and conditions of that approval.
2. The applicant and business must sign and return the commitment letter to the Department if the applicant and business agrees to the terms and conditions of the approval.
3. If the commitment letter is not executed within 60 days of the letter's date, the Department, upon written notification, may withdraw the offer of financial assistance that is stated in the commitment letter.

## B. Agreements

The appropriate contracts for an award will be a satisfactory business performance agreement between the local government and the business that includes the performance criteria necessary for funds to be released or expended and a satisfactory local government award agreement between the local government and the Department.

The Department will have basic forms for these agreements, although performance criteria for specific agreements will vary.

1. Business performance agreement: The basic form of a business performance agreement between a local government and a business associated with a particular project will be prescribed by the Department and may include, but is not limited to, the following:
  - a. A commitment to create the agreed-upon level of new eligible jobs, and the lengths of time those jobs must be sustained to receive funds or to avoid an obligation to reimburse the Department.
  - b. Requirements that the business maintain existing jobs in Montana.
  - c. A commitment by the business to make the required investment, at the agreed-upon location in Montana, within a specified time period.
  - d. An obligation to provide proof of any new jobs created, existing jobs retained, and/or new investment made.
  - e. The conditions with which the business must comply to receive the benefits of awards made to local governments under the program.
  - f. The terms under which a business will be deemed to have met or failed to meet the terms of a commitment.
  - g. The terms and procedure by which any previously disbursed funds may be recaptured by the local government or the State of Montana under circumstances in which the business has ultimately failed to meet its commitments.
  - h. A right on the part of the State of Montana or local government to inspect all records that may be used to confirm compliance with terms of any agreements.
2. Local government award agreement: The basic form of a local government award agreement between a local government and the Department will be prescribed by the Department and may include the following:
  - a. An agreement to comply with the terms of the local government's application.
  - b. An agreement to take all steps necessary to ensure and establish to the Department that required levels of jobs and investments are made and that no funds are disbursed by the local government until any necessary performance criteria have been met.
  - c. An agreement to otherwise reimburse the Department for any funds improperly disbursed.
  - d. An agreement to permit the Department access to all records necessary to evaluate compliance with Department policies and the program's administrative rules and all agreements executed under them.
  - e. A commitment by the local government to provide matching funds in exchange for the award.

- f. The applicant shall sign an affidavit certifying that the eligible expenses were properly incurred in accordance with the scope of work approved by the Department. Prior to final closeout of the award agreement, the business is required to submit copies of all canceled checks verifying the expenditure of the Trust Fund proceeds.
- g. No assistance is awarded to an applicant, unless the applicant certifies to the Department that they shall not discriminate against any employee or against any person seeking employment because of race, religion, color, handicap, national origin, age, or sex.

### **C. Disbursement of Funds**

Requests for payment must be submitted to the Department accompanied by approved documentation verifying eligible costs incurred by the applicant. The business must attest that any jobs created, which are used as a basis for meeting the job wage threshold, are net new positions for the business's operations in Montana and that any jobs created are not jobs transferred from any existing Montana operations of the business, and the business must provide documentary proof that it has experienced the increase in jobs in Montana. The Department may request further documentation in a particular case when, in the exercise of its judgment, such documentation is needed to confirm performance.

Applicants should note that payment requests generally require 10 days for processing and check issuance. When funds are expended by the local government, the local government must then submit proof of receipt, deposit, and proper disbursement of the funds.

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over the records of related parties in the project. The Department requires access to such records, as well as the ability to inspect all project work, invoices, materials, and other relevant records at reasonable times and places. The award agreement requires the applicant to furnish, upon request of the Department, all data, reports, contracts, documents, and other information relevant to the project. The award agreement specifies a periodic reporting requirement for the project.

## **CATEGORY II: PLANNING AND CAPACITY BUILDING**

### **Section I – Eligibility**

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#### **A. Eligible Applicants**

Trust Fund - Category II eligible applicants include:

1. Certified regional development corporations (CRDCs),

2. Economic development organizations that are located in a county that is part of a CRDC region are not eligible to apply directly to the Department for Trust Fund financial assistance. However, the CRDC that represents the region that an economic development organization resides in can apply on their behalf and the economic development organization may be involved in implementing and administering a planning and/or capacity building project by sub-recipient agreement, if the CRDC agrees to such an arrangement. Please contact the Department for more information concerning sub-recipient agreements.

For CRDC applications that include a sub-recipient agreement with an economic development organization, the sub-recipient agreement with original signatures must be included with the application. Applications submitted without the sub-recipient agreement will not be accepted.

3. Other economic development organizations that are located in a county that is not part of a CRDC region and which meet program requirements for eligibility.
  - a. To determine the ability of an economic development organization, that is located in a county that is not part of a CRDC region, to effectively manage a Trust Fund award, the economic development organization must include as an attachment to their application the following information:
    - i. Evidence the applicant is a nonprofit corporation as provided in Title 35, chapter 2 MCA, that is exempt from taxation under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code, 26 U.S.C. 501(c)(3) or 501(c)(6).
    - ii. A staffing plan that includes current job titles, job descriptions and qualifications of primary personnel.
    - iii. A socioeconomic profile of the community (county, incorporated city or town, or Indian Reservation) that the applicant is providing economic development and business assistance services to and which the proposed planning or capacity building activity will benefit.
    - iv. Evidence of broad-based community support, at the time of submitting the application, that includes written support from the local government (county, incorporated city or town, or tribal government) that the applicant is providing economic development and business assistance services to and which the proposed planning or capacity building activity will benefit.
    - v. A minimum of three references that have received economic development services from the applicant. The references may include state government or universities where the economic development organization, preferably within the last three years, has successfully completed economic development projects and and/or provided business assistance. At a minimum each reference shall include:
      1. The company name that received the services,
      2. The location where the services were provided,
      3. Contact person(s) and information (address, telephone number, etc.), and
      4. A complete description of the service type, and dates the services were provided.

*NOTE: These references may be contacted to verify an applicant's ability to deliver economic development and business assistance services. The Department reserves the right to use any information or additional references deemed necessary to establish the ability of the applicant to undertake and satisfactorily complete the proposed activity and assure proper management of program funds. Negative references may be grounds for application disqualification.*

- vi. Evidence of financial stability that includes:
  - 1. A copy of the most recent audited or professionally reviewed financial statements of the applicant, including a supplemental schedule or other detailed information to specifically disclose the financial condition and results of operations of the applicant; and
  - 2. A current budget for the applicant that includes a sources and uses of funds;

*The Department may request additional information deemed necessary by the Department to evaluate the eligibility of the applicant.*

Department staff shall review timely submitted proposals and determine whether to recommend eligibility to an economic development organization. The proposal and staff's recommendation regarding eligibility shall be forwarded to the Department Director for a final decision concerning applicant eligibility.

*The Department may not make a loan nor award a grant to any individual, organization, or governmental unit that is currently in default of the conditions of any loan or grant contract previously executed by the Department.*

## **B. Eligible Uses of Funds**

Eligible uses of Trust Fund financial assistance to CRDCs and qualified economic development organizations include:

- 1. Support for business improvement districts and central business district redevelopment;
- 2. Industrial development, defined as the support of the act or the process of enhancing the business environment for productive, profit-making enterprises;
- 3. Feasibility studies;
- 4. Creation and maintenance of baseline community profiles;
- 5. Matching funds for federal funds, including but not limited to brownfields funds and natural resource damage funds; and

6. Downtown district revitalization activities for communities designated under the Montana Main Street program. Downtown revitalization activities include community development activities to increase economic activity while preserving and building upon a location's historically significant characteristics. Uses of funds may include activities undertaken under the National Trust Main Street Center's four broad categories of organization, promotion, design, and economic restructuring which encompasses the National Trust's eight principles of success: comprehensive, incremental, self-help, partnerships, quality, identifying and capitalizing on existing assets, change and implementation.

*NOTE: It is preferred that total grant awards to a CRDCs or other eligible economic development organization not exceed \$15,000 per application. Preferably applicants will request assistance for an amount greater than \$5,000 per application.*

*The Department may make awards in amounts above or below the stated limits, if it is determined by the Director of the Department that the activities that the CRDC or other eligible economic development organization is proposing could result in substantial impact on the economy of a community, region and/or the state.*

### **C. Assistance Limitations**

It is absolutely essential that the applicant and the business not incur costs or obligate funds, which are intended to be reimbursed with Trust Fund financial assistance, prior to the date that all contract start-up conditions, including signing of all agreements, are satisfied by the grantee and approved in writing by the Montana Department of Commerce.

It should be clear that expenses incurred by the grant recipient are incurred at their own risk. Until the Department awards a formal release of funds, no activity costs will be considered reimbursable until the Department has given the grant recipient this release, and costs are within the period of time designated by the Department for eligible activities.

Please contact the Department for questions regarding the eligibility of proposed activities before submitting an application to the Department.

## **Section II – General Application Procedures**

Potential applicants are encouraged to contact the Department to discuss their proposed planning or capacity building activity with Trust Fund Staff. Trust Fund staff will work closely with applicants to negotiate any changes and resolve issues identified during the preparation of their application.

Two copies (one original and one copy) of the application must be submitted to the Business Resources Division of the Montana Department of Commerce (see address on page 3).



Applicants must submit all application materials using the following format:

1. Description of the planning or capacity building activity,
2. Course of action,
3. Timeline for completion,
4. Budget, and
5. Any required attachments.

*Please include in the budget for the proposed activity a sources and uses of funds. Allowable expenses for which the Trust Fund may be used include administrative expenses, which include personnel and operating expenses.*

Please provide any other background information pertinent to the proposed activity that might assist the Department in making an informed decision. Applicants are obliged to disclose any information that could reflect negatively on the proposed activity.

The proposed planning or capacity building activity should focus on improving the ability of the applicant to:

1. Respond to economic development distress or opportunities; and/or
2. Deliver economic development services to the citizens, communities and businesses in your area.

NOTE: The Department reserves the right to request additional information if needed during the review period, especially if the proposed activity contains unique items that may require different information than requested above.

### **Section III – Review of Applications**

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To determine the merit of each application and the proposed uses of funds, a Department review committee (Committee) will review all applications from eligible applicants and will make recommendations to the Director of the Department, who will make the final decision concerning funding awards.

Applications that are received and accepted as complete, and have received staff analysis and recommendations, will be submitted to the Committee at the earliest available time after the analysis is completed. Applications will be reviewed by the Committee, and will be funded, if approved by the Committee and the Director.

The Committee will make a recommendation to the Director, who will make the final decision on project awards. A letter of tentative award will be sent to the applicant stating the funding amount and any conditions that apply. The date of the funding decision by the Committee will be the date entered on the Trust Fund contract as the date of funding award. Projects must be completed in accordance with the project implementation schedule. If the Director revises the recommendation by the Committee, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternative decision was made.

Applicants should also be aware that in most cases, it generally takes one (1) month before any funds will actually be disbursed after the decision to award a grant has been made. This delay occurs because several activities must take place before funds can be released. For example, the contract between the grantee and Department must be prepared and all the details for assuring proper management of the project and expenditure of program funds must be finalized.

The following criteria may be used to determine the merit of each application:

1. Potential for the activity to provide for economic development success,
2. Amount of state, federal and private funds leveraged,
3. Community and regional economic need, and
4. Potential for the activity to be utilized as a new "best practice" in economic development at the local, regional, state or national level.

## **Section IV – General Procedures for Accessing Funds**

### **A. Commitment Letter**

The Department, upon approval of the funding request by the Director, will mail a commitment letter to the applicant notifying them of the Trust Fund commitment and the terms and conditions of that approval.

### **B. Agreements**

The appropriate contracts for an award will be a satisfactory performance agreement between the CRDC or other eligible economic development organization and the Department.

The Department will have basic forms for these agreements, although performance criteria for specific agreements will vary.

## **C. Disbursement of Funds**

Requests for payment must be submitted to the Department accompanied by approved documentation verifying eligible costs incurred by the applicant. The Department may request further documentation in a particular case when, in the exercise of its judgment, such documentation is needed to confirm performance.

Applicants should note that payment requests generally require 10 days for processing and check issuance. When funds are expended by the CRDC or other eligible economic development organization, the CRDC or other eligible economic development organization must then submit proof of receipt, deposit, and proper disbursement of the funds.

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over the records of related parties in the project. The Department requires access to such records, as well as the ability to inspect all project work, invoices, materials, and other relevant records at reasonable times and places. The award agreement requires the applicant to furnish, upon request of the Department, all data, reports, contracts, documents, and other information relevant to the project. The award agreement specifies a periodic reporting requirement for the project.